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C O N F I D E N T I A L SECTION 01 OF 04 TAIPEI 000158

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STATE FOR EAP/TC
STATE PASS USTR FOR STRATFORD AND ALTBACH, TREASURY FOR
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CVIS, KPAO, CH, TW
SUBJECT: MAINTAINING AND EXPANDING U.S. INFLUENCE UNDER THE
NEW CROSS-STRAIT DETENTE

REF: A. 09 TAIPEI 450
[1](#)B. 09 TAIPEI 1188
[1](#)C. 09 TAIPEI 1196
[1](#)D. TAIPEI 80

Classified By: AIT Director Bill Stanton. Reasons: 1.4 b/d

[1](#)1. (C) Summary: Nearly two years after President Ma Ying-jeou took office, the thaw in cross-Straits relations continues apace, with a steady procession of agreements expanding commercial, transportation and other links and an economic cooperation agreement possible later this year. Nonetheless, many in Taiwan still harbor suspicions about rapprochement, and any attempt by the mainland to over-leverage its growing economic clout for political concessions could imperil the detente. Given this new cross-Straits dynamic, the United States should ramp up efforts to maintain its influence and bolster regional stability by strengthening our relations with Taiwan and by helping reinforce the island's democracy. Steps we should take with Taiwan include, among others, negotiating an extradition agreement, entering into a formal process to bring it into the visa waiver program, and pursuing a bilateral investment agreement. These measures, all of which are doable, would advance other fundamental U.S. interests. End Summary.

SO FAR, SO FAST

[1](#)2. (U) The scope of the cross-Straits thaw under the Ma administration has been remarkable. Whereas, not long ago, the Taiwan Strait was viewed primarily as a potential flashpoint for U.S.-China conflict, today it is most notable as a hub of rapidly expanding cooperation between erstwhile enemies. Taiwan and China are now linked by 270 direct flights a week, which last year carried nearly 1 million mainlanders to the island. The two sides have institutionalized semi-annual meetings at which officials ink agreements to promote rapidly-expanding economic and financial ties, and later this year they could sign an Economic Cooperation Framework Agreement (ECFA) that would expand the already massive flow of trade across the Strait.

13. (C) The Ma administration argues that ECFA is crucial to Taiwan's future economic well-being given the growing importance of cross-Strait trade and investment. In the first 11 months of 2009, 41 percent of Taiwan exports went to China. Although estimates for Taiwan investment in China vary wildly, many experts place the figure at a minimum of USD 150 billion. By way of comparison, the U.S. is Taiwan's largest foreign investor at USD 16 billion; Taiwan has invested roughly USD 11 billion in the United States.

14. (C) Many here, however, fear ECFA will exacerbate what they see as an already excessive economic reliance on the mainland and give Beijing the economic leverage to force political concessions, advancing its goal of eventual reunification. ECFA critics cite as an example temporary restrictions on Chinese tour groups' travel to Kaohsiung after that city's mayor allowed the screening of a film Beijing found objectionable. The public reaction on Taiwan made clear that future PRC attempts to use economic levers for political ends would only further undermine the already-slender attractiveness of closer political ties. One widely publicized opinion poll last December showed that just 7 percent of respondents supported reunification.

15. (C) More recently, a "Foreign Affairs" magazine article arguing Taiwan should model its China policy on Cold War-era Finland's "strategic appeasement" of the Soviet Union again

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set hands wringing in Taipei. Such a policy, the article suggested, would benefit U.S. security by promoting democracy in China and by reducing U.S.-China tensions caused by Washington's military support of Taiwan. Although both points are highly debatable, to say the least, the article touched off a wave of island-wide angst, reflected in media commentaries, academic discussions and official pronouncements.

16. (SBU) Within days, President Ma offered public assurances that Taiwan was not being "Finlandized," yet more than a month later worries remain. Indeed, Mainland Affairs Council Chair Lai Shin-yuan's first question for the AIT Deputy Director during their January 26 meeting concerned Washington's position on "Finlandization." Even though no officials in Beijing, Washington or Taipei have promoted such a policy, the reaction to the article underlined just how uncertain the Taiwan people remain about the future of cross-Strait relations and U.S. support.

17. (C) In private, moreover, officials like the National Security Council Secretary General Su Chi have told us that the Ma government has played down the significance of some Chinese overtures to avoid highlighting the absence of similar actions from the United States. Examples include visits by two PRC Cabinet-level provincial Communist Party chiefs, each leading large delegations of businessmen. Su Chi's indirect message was, "Please elevate your game."

CONFIDENCE-BUILDING: RECENT ACTIONS

18. (C) The widespread view in Taipei is that while PRC President Hu Jintao may not have a timetable for reunification, China clearly expects cross-Strait dialogue eventually to move beyond economic cooperation to much more sensitive political issues. Not surprisingly, therefore, President Ma has noted frequently, in public and private, that broadening engagement with China requires a strong, vibrant relationship with the United States to preclude PRC coercion and to allay domestic concerns that he is tilting too far toward China. With the debate in Taiwan over ECFA and the future of cross-Strait relations heating up, the U.S.

Government should continue to signal its commitment to strengthening ties with Taiwan across a spectrum of issues and to reaffirm its position as an engaged and trustworthy partner.

¶9. (C) The recent notification of Congress of arms sales to Taiwan was an important, positive step, but military sales alone are not enough. True, President Ma expressed great pleasure at the arms package announced on January 29, and emphasized it would strengthen his hand to improve cross-Strait ties. Others on Taiwan, unfortunately, expressed skepticism over the benefits of arms sales. A February 1 opinion piece in the popular Apple Daily newspaper, for example, complained that the weapons were old, expensive and did not include the F-16 C/Ds at the top of Taiwan's wish list.

¶10. (C) Meanwhile, local media have highlighted seemingly less significant developments as key evidence of U.S. goodwill toward, and support for, Taiwan. These include indications that U.S. ire over the Taiwan legislature's ban of certain U.S. beef imports would not spill over into non-trade areas; President Ma's respectful reception and freedom of movement during January transits in San Francisco and Los Angeles; and permission for a Taiwan C-130 transport plane to transit the United States to deliver relief supplies for Haiti. In general, Taiwan authorities focused their public messages on the mission's humanitarian purpose and avoided highlighting cooperation with the Department of Defense. Similarly, as in previous transits, President Ma kept a relatively low profile in California, which suggested that similar goodwill gestures toward Taiwan in the future

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would bolster U.S.-Taiwan ties with little risk of roiling the U.S.-China relationship.

RAMPING UP OUR GAME: A TO-DO LIST

¶11. (C) There are a number of additional steps the United States can take that would not only build confidence on Taiwan but also would promote important U.S. interests. As previously outlined in ref A, we recommend that the United States:

a. Begin negotiations immediately on an extradition agreement. Beyond strengthening already excellent law enforcement cooperation with Taiwan, this would address the perceived double standard on fugitive repatriation. Taiwan regularly sends criminal suspects back to the United States despite our inability to reciprocate (ref B). Taiwan and the PRC, moreover, already have a quasi-extradition pact.

b. Designate Taiwan as a formal candidate for the visa waiver program, conditioned on progress in clearly defined areas such as passport security. Given the large number of Taiwan people who vacation, do business and visit family members in the United States, perhaps no other step would be as widely welcomed or so greatly enhance the image of the United States as a close partner (ref C).

c. Express our strong, public support for Taiwan's meaningful participation in international organizations, including the two that Taiwan has identified as particularly important, the International Civil Aviation Organization and the United Nations Framework Convention on Climate Change.

d. Resume senior official visits to Taiwan. Although there was no policy decision to discontinue such visits, it has been nearly a decade since the last Cabinet-level official visited Taiwan.

¶12. (C) In addition, we should adopt measures to counterbalance expanding cross-Strait economic ties that have

far outpaced concrete progress on U.S.-Taiwan economic issues, due in part to the beef controversy. This imbalance will become more pronounced after an ECFA is signed. Re-engaging with Taiwan under the Trade and Investment Framework Agreement (TIFA), including as a means of addressing beef and other agricultural market-access problems, would be a step toward reducing this concern and also would advance key U.S. commercial goals (ref D). In particular, a decision to launch negotiations toward a bilateral investment agreement -- our business community's top priority here -- would serve as an important symbol of ongoing U.S. commitment to development economic ties with a major trading partner.

INCREASED PUBLIC DIPLOMACY

¶13. (C) Supporting the further development of democratic institutions here also can allay fears that Taiwan is moving inextricably closer to China. Strengthening democracy presumably would increase the willingness of Taiwan's people to defend it and would make any mainland effort to bully the island into political submission that much more difficult. Therefore, more U.S. programs should be directed at promoting ethics and professionalism within the rambunctious local media, professionalism of the Legislative Yuan (both staffers as well as elected members), and the development of NGOs. We should also seek additional funding to translate books and magazines, to bring over U.S. experts, and to send Taiwan contacts to the United States for short-term programs.

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BROADER U.S. INTERESTS

¶14. (C) The above measures not only would have specific benefits in themselves for the United States, but also would have an important cumulative effect on U.S. interests. By giving Taipei the confidence to explore expanding engagement with China beyond economics, they would promote continued stability in the Taiwan Strait. Moreover, they would help ensure cross-Strait ties develop in parallel with, and not at the expense of, U.S. interests. They would demonstrate to Taiwan and others that we are committed to the region and remain a reliable partner. Finally, they would signal to the people of Taiwan that arms sales are not the sole gauge of U.S. commitment. We should not preemptively presume the PRC will oppose these measures, which are modest and non-threatening compared to arms sales.

STANTON